

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN DON HARGROVE**, on January 23, 2001 at 10:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Don Hargrove, Chairman (R)
Sen. John C. Bohlinger, Vice Chairman (R)
Sen. Edward Butcher (R)
Sen. Pete Ekegren (R)
Sen. Eve Franklin (D)
Sen. Ken Toole (D)

Members Excused: Sen. Jim Elliott (D)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Lynette Brown, Committee Secretary
David Niss, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SR 3 1/15/2001
Executive Action: HB 112

CONFIRMATION HEARING SR 3

Sponsor: SEN. JOHN BOHLINGER

Proponents: Jim Jensen, Montana Environmental Information Center

Opponents: None

Leo Giocometto, Northwest Power Planning Council, said energy is a big issue on a national level. Because of his past experience on the federal level, **GOV. JUDY MARTZ** felt he would be effective in the key area of energy. **Leo Giocometto** wanted to come back to Montana and felt he could play a key role in the area of energy. He was concerned about the northwest not sticking together and allowing states like California and in the northeastern coalitions that feel that Montana has something they want, such as the Columbia River Basin system. **Mr. Giocometto** said the Northwest Power Planning Council needs to fight for the continued control of the Columbia River system. The environmental impacts that go along with the Columbia River system and the role this council has with that is very important. There are groups who are constantly trying to take that control away from the council, so it is an on-going fight. He said he was glad to be back in Montana. He said Montana has a part in this; the other states' interest certainly don't over weigh Montana's interest. Montana gets a small portion, but we have 40% of the water stored in our state. He will stand up and aggressively fight for Montana's interest.

Stan Grace, Northwest Power Planning Council, said he began with the Power Planning Council in 1989. The council was formed to give the states some voice in regional power in dealing with the federal hydro-system on the Columbia River. The Power Act serves to (1) protect, mitigate, and enhance for the losses incurred by the hydro-system, such as the fish and wildlife. (2) while assuring an adequate, efficient, reliable power supply. He said it is an ongoing battle representing Montana because we don't have the political power the other regions have, yet we provide more to the resources than the other states on a per-capita basis. Since 1972, Bonneville Power has spent almost \$3 ½ billion on the fish and wildlife interest in the region.

Questions from Committee Members and Responses:

SEN. KEN TOOLE asked **Stan Grace** if it was a good idea for Montana to deregulate? **Stan Grace** said it was a good idea because the problem was already there, the deregulation just triggered the problem a little early. We are pushed to the limit on the Bonneville System now. **SEN. TOOLE** asked since we export nearly 40% of the power generated in Montana, how do we reconcile that shortage? **Mr. Grace** responded building power plants in Montana would work only if the transmission lines are upgraded also. He said California is going to have to find a way to deal with the balance with the rest of the region. **SEN. TOOLE** said he disagrees that deregulation didn't start the price increase problem. He asked **Stan Grace** if Montana had stayed regulated we would be experiencing the same price increases we have seen?

Stan Grace answered not in the short term, but yes, in the long term.

SEN. ED BUTCHER asked **Stan Grace** if Montana had any capabilities of hydro in the state? He responded the margins were very slim at the present time. **SEN. BUTCHER** asked if the development would be in coal, gas, or both? **Mr. Grace** said it would be in both, and coal would probably be our best opportunity. "Would that create a significant increase in tax revenues?" asked **SEN. BUTCHER**. **Mr. Grace** said it would depend on legislation. **SEN. BUTCHER** inquired if there was some growth, would it benefit Montana? **Mr. Grace** responded it would.

Proponents' Testimony:

Jim Jensen, Montana Environmental Information Center, stated **Leo Giacometto** has remarkable leadership skills, is a fast learner, has been very honest and open. **Mr. Jensen** commented that **Mr. Giacometto** advised **U.S. Sen. Burns** that Montana should go very slowly in the deregulation process and should not jump into deregulation because it would hurt our basic industries and our economy would be at risk. **Mr. Jensen** is in strong support of **Mr. Giacometto** for the position of Northwest Power Planning Council.

Opponents: None

Questions from Committee Members and Responses:

SEN. JOHN BOHLINGER asked **Stan Grace** who the investors are and how likely would they be to come to Montana? He responded the incentive would have to be the opportunities would be here in Montana and that the transmission problems would be solved as well. **SEN. BOHLINGER** questioned **Mr. Grace** about what were the incentives provided for coal strip development possibilities? **Mr. Grace** responded he wasn't sure.

SEN. KEN TOOLE commented there were no incentives offered. The incentives to the developers was the Arab/oil embargo.

SEN. EVE FRANKLIN asked **Stan Grace** how his role will change? **Stan Grace** replied there has always been controversy on the Power Council due to the Power Act, so his actual role would not change. The best advice he received upon going on the council was to read the act and to carry a copy with him.

SEN. BOHLINGER asked **Stan Grace** how often the Power Council meets? He responded they meet every third week. **SEN. BOHLINGER** enquired if the attendees come from Montana, Washington, Idaho,

and Oregon? **Mr. Grace** replied that was correct. **SEN. BOHLINGER** asked how much Council members are paid? They are paid around \$83,000 per year, and the source of that payment is funding from Bonneville Power. **Mr. Grace** answered.

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SEN. TOOLE enquired of **Leo Giacometto** if he felt deregulation was a mistake? **Leo Giacometto** responded deregulation was going to happen anyway because we are all tied together; California's problem is our problem. He said there was great opportunity for Montana to come out ahead on this; incentives have to be in place to protect Montana.

SEN. TOOLE asked **Leo Giacometto** what pressures he saw dealing with the Bonneville system from the people in the northeast or other parts of the country? **Mr. Giacometto** answered he responds to people by telling them to sit down with him and look at how much federal money was spent on their projects. He said Montana is not going to spend our money and resources on California just because California made bad decisions and did not do what they needed to get ahead.

SEN. FRANKLIN asked what their vision is in terms of where they are going pro-actively? **Leo Giacometto** responded in visiting with the Governor, she wants (1)reliable, affordable power in Montana, (2)how do we go about accomplishing that, and (3) economic development. No business is going to come here without affordable power. He said this is where the legislature needs to decide what they want done on major facility act, how they are going to look at those things in the future? **Mr. Giacometto** stated the state has to decide if they want to develop Montana's resources. If the scientific work is done, then what is wrong with our developing our coal and having those jobs here as a valued tax base? He said the state as a whole needs to decide which direction they want to take. **SEN. FRANKLIN** said she understands the Governor is his boss, but if he disagrees with her, will he speak up? **Mr. Giacometto** answered his job is from the Continental Divide and west, but because of the legislature, they are advisors on the rest of the state. He said he will stand up strong for his beliefs, but in the end if his beliefs differ from the Governor's, he will stand up strong for his boss.

SEN. BOHLINGER asked about the 40% of power our state exports? **Leo Giacometto** said out of all the power they produce, Montana only receives five percent of it. Washington still receives 60% of that power.

SEN. BUTCHER asked **Mr. Giocometto** asked if Montana would be in a position to negotiate? He replied that Montana needs to specify a certain percentage of the power would remain in Montana and that yes, we would help the other states at a specified cost which Montana would determine.

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Mr. Giocometto stated whatever happens on a short-term basis should be tied in with the defaults supply bill because cheap power, initially, should go to help everyone. This is an opportunity for Montana to capitalize on some of the things it has that other states don't have which are the natural resources.

Stan Grace commented a problem the industry faces is getting the turbines because they are booked up until around 2006.

SEN. TOOLE asked **Stan Grace** about the Power Council's role in assessing the conservation potential in the region and promoting good conservation programs? He responded there are two people who assess on a full time basis, but you still need the price driver in place somewhere.

SEN. HARGROVE asked why Montana doesn't have political clout if there are eight people on the board and they each have one equal vote? **Mr. Grace** responded each member has equal opportunity on the council, however, the council doesn't regulate. The council only writes plans about how things should happen and try to persuade the legislature. The problem arises where California, Oregon, and Washington has so many more representatives than Montana.

SEN. HARGROVE asked **Mr. Giocometto** in terms of his Washington D.C. experience, does he feel this experience would add to what he could do for Montana? He responded he certainly felt his federal experience would be an asset for his effectiveness.

SEN. HARGROVE asked **Leo Giocometto** to respond to environmental conflicts within his job? He replied that the council has divided into two groups in the past; the fish four and the power four. These two groups are subcommittees which work in those specific areas. Now, those two groups are coming together to work, whereas everything is presently affecting both sides.

Stan Grace closed by encouraging members to visit with them personally if they have any concerns. He said the council also has the ability to help facilitate meetings between different groups and they would be happy to do that and encourage it.

Leo Giocometto closed by stating the council needs to be the source to draw the various groups together and he would like to see the legislature get more involved in voicing their concerns to the Power Council.

EXECUTIVE ACTION ON HB 112

David Niss explained amendment HB011201.adn **EXHIBIT(sts18a01)** to the committee. This amendment states the criminal penalty does not apply to an employer in the circumstances listed.

Motion/Vote: SEN. TOOLE moved that **AMENDMENT HB011201.ADN BE ADOPTED. Motion carried 5-0.**

Motion/Vote: SEN. BOHLINGER moved that **SB 112 (HB011201.ADN) BE CONCURRED IN AS AMENDED. Motion carried unanimously.**

ADJOURNMENT

Adjournment: 11:30 A.M.

SEN. DON HARGROVE, Chairman

LYNETTE BROWN, Secretary

DH/LB

EXHIBIT (sts18aad)